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May 15, 2002

William F. Canton  
Acting Secretary  
Federal Communications Commission  
445 12<sup>th</sup> St., S.W., TW-B204  
Washington, D.C. 20554

Re: Ex Parte Comments - Two Copies filed  
CC Docket No. 02-61

Dear Mr. Canton:

I am filing this letter with the Commission in order to comply with the FCC's *ex parte* regulations. This letter is being written in response to statements by AT&T in its April 10, 2002, Comments relating to the allocation of certain switching costs in setting Maine's TELRIC-complaint switching rates.

In its April 10, 2002 Comments, AT&T asserted that the 30%/70% port/usage split of switching costs ordered by the Maine Public Utilities Commission (MPUC) in its Order of March 8<sup>th</sup> is "...inconsistent with TELRIC Principles because it does not accurately reflect switch cost causation."<sup>1</sup>

AT&T's assertion is puzzling given its long time advocacy of the Hatfield Model, renamed the HAI Model in 1998, at unbundled network element (UNE) cost hearings around the country, including those recently held in the state of Maine.<sup>2</sup>

Examination of the Hatfield/HAI Model documentation shows that the 30/70 port/usage split that AT&T now claims is inconsistent with TELRIC principles was a basic Hatfield modeling assumption from the very beginning and continued to be utilized in a number of different versions of the model, including the model version initially sponsored by AT&T in the MPUC's TELRIC proceeding.<sup>3</sup> Furthermore, as the

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<sup>1</sup>Before the Federal Communications Commission, In the Matter of Application by Verizon New England Inc., Bell Atlantic Communications, Inc. (d/b/a Verizon Long Distance), NYNEX Long Distance Company (d/b/a Verizon Enterprise Solutions), Verizon Global Networks Inc., and Verizon Select Services Inc., for Authorization To Provide In-Region InterLATA Services in Maine, CC Docket No. 02-68, *Comments of AT&T Corp.* ("AT&T Comments"), April 10, 2002, at p. 9.

<sup>2</sup>In late October 2000, AT&T informed the MPUC that it no longer had sufficient resources to support the Hatfield model in this proceeding. See, Maine Public Utilities Commission, In the Matter of Investigation of Total Element Long-Run Incremental Cost (TELRIC) Studies and Pricing of Unbundled Network Elements, Docket No. 97-505, ("Maine TELRIC Proceeding") *Initial Brief Of AT&T Communications Of New England, Inc. Regarding Proposed Recurring And Non-Recurring Charges For Unbundled Network Elements, Operations Support Systems Access, And Collocation*, at p. 3. AT&T had initially submitted Release 4.0 of the Hatfield model in this proceeding. See Maine TELRIC Proceeding, *Order*, February 12, 2002 at footnote No. 169.

<sup>3</sup>"**End office traffic-sensitive fraction:** The fraction of the total investment in digital switching that is assumed to be due to traffic-sensitive elements and is thus usage-sensitive. This value shows how much of the cost of an end office is associated with the line port as opposed to usage. Default Value 70%" Hatfield Model Release 3.1, *Hatfield Model*

Hatfield model documentation also illustrates, the model developers and, by implication, AT&T, specifically designed the model "...for the purpose of estimating the forward-looking economic costs of: 1) unbundled network elements (UNEs), based on Total Element Long Run Incremental Cost (TELRIC) principles..."<sup>4</sup>

We find it paradoxical for AT&T to now claim that an assumption underlying the forward-looking cost model that AT&T championed in UNE cost hearings before the MPUC and other state commissions is not TELRIC compliant.

We also direct the FCC's attention to the fact that on February 15, 2002, AT&T filed comments criticizing the switching rates contained in the MPUC's Order of February 12, 2002 as being too high.<sup>5</sup> In those comments AT&T asserted: "...that one would expect switch investment costs and thus switching rates to be 7 percent higher in Maine than in New York..."<sup>6</sup> In response to AT&T's Comments, the MPUC revisited its switching cost calculations and, on March 8<sup>th</sup>, the MPUC issued an Order containing revised switching rates which come to within 2 percent of New York's switching rates, well within the "zone of reasonableness" that the FCC uses in evaluating UNE rates, and below the benchmark supported by AT&T in its February 13, 2002 filing.<sup>7</sup>

Respectfully submitted,

Trina M. Bragdon  
Staff Attorney  
Maine Public Utilities Commission

cc: Christine Newcomb, FCC (via e-mail)  
Gary Remondino, FCC  
Benjamin Brown, DOJ (via e-mail)  
MPUC Docket No. 2000-849 Service List (via e-mail)

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*Description Appendix B—Hatfield Model Release 3.1 Inputs, Assumptions and Default Values*, (©1997 AT&T Corp., Hatfield Associates, Inc., and MCI Telecommunications Corporation), at p 53-54. See also *Hatfield Model Release 4.0, Hatfield Model Description Appendix B—Hatfield Model Release 4.0 Inputs, Assumptions and Default Values*, (©1997 AT&T Corp., Hatfield Associates, Inc., and MCI Telecommunications Corporation), at p 53-54; *Hatfield Model Release 5.0, Hatfield Model Description Appendix B—Hatfield Model Release 5.0 Inputs, Assumptions and Default Values*, (©1998 AT&T Corp., Hatfield Associates, Inc., and MCI Telecommunications Corporation), at p 59-60, and; *HAI Model Release 5.0a, HAI Model Description Appendix B—HAI Model Release 5.0a Inputs, Assumptions and Default Values*, (©1998 AT&T Corp., HAI Consulting, Inc., and MCI Telecommunications Corporation), at p. 69. By Model Release 5.0a the description was: "**End Office Non Line-Port Cost Fraction: Definition:** The fraction of the total investment in digital switching that is assumed to be not related to the connection of lines to the switch. Default 70%. **Support:** This factor is a HAI estimate of the average over several different switching technologies." *HAI Model Release 5.0a, HAI Model Inputs Portfolio*, January 27, 1998, at p. 123.

<sup>4</sup>*Hatfield Model Release 3.1, Model Description*, (©1997 AT&T Corp., Hatfield Associates, Inc., and MCI Telecommunications Corporation), at p 3. This objective held right up until the last iteration of the model. See *HAI Model Release 5.0a, HAI Model Description*, (©1998 AT&T Corp., HAI Consulting, Inc., and MCI Telecommunications Corporation), at p. 1.

<sup>5</sup>Maine Public Utilities Commission, *In the Matter of Inquiry Regarding the Entry of Verizon Maine Into the InterLATA (Long Distance) Telephone Market Pursuant to Section 271 Of the Telecommunications Act of 1996*, Docket No. 2000-894, *Comments of AT&T Communications of New England, Inc.*, February 15, 2002, at p. 1-4.

<sup>6</sup>*Id.* at p. 2.

<sup>7</sup>Maine TELRIC Proceeding, *Order*, March 8, 2002, at p. 3.